

SEP 11 1975-9 50 AM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE AGREEMENT

LEASE AGREEMENT dated as of September 4, 1975 between BORG-WARNER LEASING DIVISION of B-W CREDIT CORPORATION, a Delaware corporation (herein called "Lessor"), and ILLINOIS CENTRAL GULF RAILROAD COMPANY (herein called "Lessee").

SECTION 1. LEASE OF EQUIPMENT

1.1 Subject to the terms and conditions of this Lease, Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the units of equipment set forth in Exhibit A hereto (herein called the "Equipment"). The total cost of the Equipment which the Lessor shall have caused to be manufactured under a separate agreement (hereinafter called the "Construction Agreement") shall not exceed \$2,100,000, including applicable sales, use or similar taxes and freight charges. Any increase in the total cost of the Equipment must be approved by Lessor; provided, however, in the event Lessor does not approve said increase, Lessor shall agree to exclude from this Lease such unit or units of Equipment as will, after giving effect to such exclusion, reduce the total cost of the Equipment then under this Lease to not more than \$2,100,000.

1.2 (a) Lessor has agreed under a construction agreement, dated as of the date hereof (the "Construction Agreement") between Lessee and Lessor to purchase from Lessee reusable parts at a purchase price of \$4,500 per Flatcar (or an aggregate purchase price of \$450,000). Such reusable parts have been conveyed by Lessee by a bill of sale (the "Bill of Sale") dated as of the date hereof.

Interim Payment as set forth in Exhibit A hereto, and 180 monthly installments ("Rental") in the amounts provided for the units of Equipment in said Exhibit A, commencing at the first day of the calendar month following the Closing Date (hereinafter defined) on which the last unit of Equipment was delivered pursuant to Section 1 and leased hereunder, to and including the date of the last monthly payment in the fifteenth year thereafter. The term "Closing Date" shall mean for each unit of Equipment the date on which said unit of Equipment was settled for and payment was made by Lessor. The Equipment may be settled for in more than one group of units of Equipment delivered to and accepted by the Lessee.

2.2 Place of Payment. All payments provided for in this Lease to be made to the Lessor shall be made to the Lessor by wire transfer of federal funds at its address set forth in Section 22.1 hereof, or at such other place as the Lessor shall specify in writing.

2.3 Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Vendor, the Manufacturer of the Equipment or the Assignee; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all

or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to the Lessor on the Lessee's lines, or is stored for the Lessor on the Lessee's lines or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE

The term of this Lease as to each unit of Equipment shall begin on the date the Certificate of Acceptance is executed by the Lessee as to each unit of Equipment and, subject to the provisions of Sections 11 and 21 hereof, shall terminate 180 months from the first day of the calendar month following the Closing Date on which the last unit of Equipment was settled for by Lessor. Such dates with respect to each unit of Equipment shall be shown in Supplemental Exhibits which shall be attached to this Lease.

SECTION 4. TITLE TO THE EQUIPMENT

4.1 Retention of Title. The Lessor has acquired full legal title to the Equipment and it is understood that Lessee shall acquire no right, title or interest to the Equipment except hereunder notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.

4.2 Duty to Number and Mark Equipment. The Lessee shall cause each unit of Equipment to be kept numbered with the identifying number set forth in Exhibit A-1 hereto, or such number as set forth in any amendment or supplement hereto, and will keep and maintain plainly, distinctly, permanently, and conspicuously marked by stencil printed in contrasting color upon each side of each unit of Equipment in letters not less than one inch in height, the name of the Lessor followed by the word "Lessor" or other appropriate words designated by the Lessor with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such unit of Equipment and its rights under this Lease. The Lessee will not place any such unit of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any unit of Equipment except with the consent of the Lessor and in accordance with a statement of new identifying numbers to be substituted therefor,

which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3 Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. REPRESENTATIONS AND WARRANTIES

5.1 The Lessor warrants that it has such title to the Equipment as has been conveyed to it and that the Equipment shall be free of liens and encumbrances which may result from claims against Lessor not related to the ownership of the Equipment. Lessor further warrants that during the term of the Lease, if no Event of Default has occurred, the Lessee's use of the Equipment shall not be interrupted by Lessor or anyone claiming solely through or under Lessor. Lessor's liability shall be limited to the value of the Equipment and in no event shall the Lessor be liable for special, incidental or consequential damages, whatsoever or howsoever caused.

The warranties set forth in the preceding paragraph are in lieu of all other warranties of Lessor, whether written, oral or implied; Lessee acknowledges that Lessee has selected the Equipment which the Lessor has caused to be manufactured pursuant to the Construction Agreement and which has been accepted by Lessee as agent for Lessor, and THE LESSOR LEASES THIS EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY OTHER AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR, AND THE LESSOR HEREBY EXPRESSLY DISCLAIMS ANY OTHER WARRANTY OR REPRESENTATION. EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OR EQUIPMENT INCLUDING BUT NOT LIMITED TO THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (C) THE DESIGN OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE.

The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease, so long as the Lessee is not in default hereunder, to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the contractor under the Construction Agreement.

5.2 The Lessee represents and warrants that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the State of Delaware;

(b) The Lessee has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of the Lease;

(c) This Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement of the Lessee enforceable in accordance with its respective terms;

(d) This Lease will be filed and recorded pursuant to Section 10.1 hereof, and no other filing, recording or depositing is necessary to protect the Lessor's title to the Equipment;

(e) No approval, consent of, or filing with, any public regulatory body is required with respect to the entering into or performance by the Lessee of this Lease;

(f) The execution and delivery by the Lessee of this Lease does not violate any provision of any law, any order of any court or governmental agency, the Charter or By-laws of the Lessee, or any indenture, agreement, or other instrument to which the Lessee is a party or by which it, or any of its property is bound, and will not be in conflict with, result in the breach of,

or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee, except upon the leasehold estate of the Lessee hereunder.

(g) There are no suits or proceedings pending, or, to the knowledge of Lessee threatened, in any court or before any regulatory commission, board or other administrative governmental agency against or affecting Lessee, which, in Lessee's reasonable opinion, will have a material adverse effect on the financial condition or business of Lessee.

SECTION 6. LESSEE'S INDEMNITY

6.1 Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation, the construction, purchase, delivery installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or

the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.2 Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more units of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iv) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring, or arising out of events occurring, before the return of the Equipment to the possession of the Lessor as provided in Section 13 or 15 as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability, provided that Lessee is not in default hereunder.

SECTION 7. RULES, LAWS AND REGULATIONS

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules

of the United States Department of Transportation and the American Association of Railroads) with respect to the use, maintenance and operation of each unit of Equipment subject to this Lease. In case any equipment or appliance is required to be installed on such unit of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements, without cost or expense to the Lessor.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. During any storage period or after the expiration of the term with respect to each unit of Equipment, the Lessee shall maintain the units of Equipment in such manner as the Lessee normally maintains similar equipment owned or leased by it in similar storage circumstances.

Lessee may from time to time add further parts or accessories to any unit or units of Equipment provided that such addition does not impair the value or utility of such unit or units of Equipment; and any parts or accessories so added, if not required to be added as a replacement, shall remain the property of Lessee or other owner thereof and may be removed by Lessee at any

time prior to the expiration of the Lease with respect to such unit or units of Equipment, provided such removal does not damage such unit or units or Equipment and no Event of Default hereunder shall have occurred. Any parts or accessories not removed prior to delivery of such unit of Equipment to Lessor, after the termination or expiration of the Lease with respect to such unit or units of Equipment shall become the property of Lessor.

SECTION 9. LIENS ON THE EQUIPMENT

Throughout the term of this Lease and during the period of any storage of the Equipment by the Lessee provided for in Section 13 or 15 hereof, the Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien, encumbrance or charge upon the Equipment, and any liens, encumbrances or charges which may be levied against or imposed upon any unit of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall give notice thereof to the Lessor, and in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner, and the nonpayment thereof does not, in the opinion of Lessor, adversely affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination or expiration of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES

10.1 Filing. Prior to the execution of the Certificate of Acceptance of the first unit of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, recorded or deposited pursuant to Section 20 (c) of the Interstate Commerce Act and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, reregister, redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to the Equipment to the satisfaction of the Lessor's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording, rerecording, depositing, redepositing, registering or reregistering of any such instruments or incident to the taking of such action.

10.2 Payment of Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States federal income tax or any value-added tax in lieu of or in substitution for any such income taxes

((and, to the extent that the Lessor receives credit therefor against its United States federal income tax liability, any foreign income tax)) payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all state or city income taxes or franchise taxes measured by net income based on such receipts or gross receipts taxes ((other than gross receipts taxes in the nature of sales or use taxes)), up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state or city, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or license fees and any charges, interest, fines or penalties in connection therewith (all such expenses, taxes, assessments, license fees, charges, interest, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any unit of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such unit of

Equipment free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such unit of Equipment; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it shall notify Lessor thereof and is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of invoice therefor; provided, however, that the Lessee shall not be obligated to reimburse the Lessor for any impositions so paid unless the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or unless the Lessee shall have approved the payment thereof, or unless the payment thereof by Lessor does not abridge Lessee's right to legally contest such impositions as provided for above, or unless the Lessor has notified the Lessee in writing of Lessor's intent to pay such imposition and the Lessee has not notified the Lessor that the Lessee desires to contest such imposition within five days after the receipt of such written notification, or such other shorter time period as may be specified in such written notification.

In the event any reports with respect to impositions are required to be made on the basis of individual units of Equipment, the Lessee will either make such reports in such manner

as to show the interests of the Lessor in such units of Equipment or notify the Lessor of such requirement and make such reports in such manner as shall be satisfactory to the Lessor. In either event, Lessee shall furnish copies of any such reports to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE: PAYMENT FOR CASUALTY OCCURRENCE

11.1 Insurance. The Lessee will at all times after delivery and acceptance of each unit of Equipment, at its own expense, keep or cause to be kept each such unit insured by a reputable insurance company or companies in amounts and against risks customarily insured against by Lessee on equipment owned by it. Such insurance may provide that losses shall be adjusted with the Lessee and shall provide that the proceeds thereof shall be payable to the Lessor and the Lessee as their interests shall appear. All proceeds of insurance received by the Lessor with respect to any unit of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to any unit with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance

received by the Lessor with respect to a Casualty Occurrence shall be credited toward the payment required by this Section 11 with respect to such Casualty Occurrence.

11.2 Duty of Lessee to Notify Lessor. In the event that any unit of Equipment shall be or become lost, stolen, destroyed, or, in the reasonable opinion of the Lessee, irreparably damaged during the term of this Lease, including any renewal term hereunder, or thereafter while the unit of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease, including any renewal terms hereunder (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term of this Lease, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor in regard thereto and shall pay the Casualty Value (as herein defined) of such unit in accordance with the terms hereof.

11.3 Payment of Casualty Loss. The Lessee, on the next succeeding Rental payment date following a Casualty Occurrence with respect to any unit of Equipment, shall pay to the Lessor the rental installment due on such payment date for such unit of Equipment plus a sum equal to the Casualty Value of such unit of Equipment as of the date of such payment.

11.4 Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any unit of Equipment and the rental installment due on such payment date, the obligation to pay rent for such unit of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other units of Equipment.

11.5 Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such unit of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate unit of Equipment so disposed of, the Lessee may retain all amounts of such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such unit of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such unit of Equipment.

11.6 Casualty Value. The Casualty Value of each unit of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of

the Purchase Price of such unit of Equipment as is set forth in the Schedule of Casualty Value attached hereto as Exhibit C opposite such date of payment.

11.7 Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any unit of Equipment from and after the date hereof and continuing until payment of the Casualty Value and the Rental installments due on and prior to the date of payment of such Casualty Value in respect of such unit of Equipment has been made, such unit or the salvage thereof has been disposed of by the Lessee and the title to such unit or the salvage thereof have been transferred to the purchaser of such unit or the salvage thereof.

11.8 Eminent Domain. In the event that during the term of this Lease the use of any unit of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

SECTION 12. REPORTS

12.1 Duty of Lessee to Furnish. On or before April 1 in each year, commencing with the year 1976, the Lessee will furnish to the Lessor an accurate statement, as of the preceding December 31, (a) showing the amount, description and numbers of the units of Equipment then leased hereunder, the amount, description and numbers of all the units of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as Lessor may reasonably request, (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced, and (c) describing the insurance coverage, if any, maintained by the Lessee pursuant to the first paragraph of Section 11.1 hereof.

12.2 Lessor's Inspection Rights. The Lessor shall have the right, at its sole cost and expense by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor the existence and proper maintenance thereof during the continuance of this Lease.

12.3 Financial Reports. Lessee agrees that it will furnish to the Lessor, the following:

(a) As soon as available and in any event within 60 days after the end of each quarterly period, except the last, of each fiscal year, a balance sheet, statement of income and statement of retained income of the Lessee for such quarterly period setting forth increases and decreases from the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and certified by the principal financial officer of the Lessee, or such reports known as "CBS" and "RE&I" as filed with the Interstate Commerce Commission.

(b) As soon as available and in any event within 120 days after the last day of each fiscal year, a copy of the Lessee's Annual Report to Stockholders, if any, and a Consolidated Balance Sheet, Income Statement and Statement of Retained Income, which statements will have been certified by a firm of independent public accountants of recognized national standing selected by the Lessee covering the operations of the Lessee. Additionally, the aforementioned financial information shall be supplied by Lessee for the year 1974.

(c) Within the period provided in sub-paragraph (b) above, a certificate, signed by the principal financial officer of the Lessee, to the effect that the signer thereof has reexamined the terms and provisions of the Equipment Lease and that at the date of said certificate and throughout the duration of said period is not aware of any default in compliance by the Lessee with any of

the covenants, terms and provisions of said agreement, or if the signer is aware of any such default, he shall disclose in such certificate the nature thereof;

(d) As soon as available, copies of such financial statements, reports and proxy statements as the Lessee shall furnish to its stockholders, if any;

(e) As soon as available, copies of all financial reports filed by the Lessee with the Interstate Commerce Commission or the Securities and Exchange Commission; and

(f) For the purpose of this Section 12, the term "Stockholder" shall not include any corporation which owns 80% or more of the voting stock of the Lessee; and

(g) Such additional information as the Lessor may reasonably request concerning the Lessee.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM

Upon the expiration of the term of this Lease with respect to any unit of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such unit of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such unit of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90 day period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such unit is to be at the risk and expense of the Lessee.

During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such unit to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT

14.1 Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or other sums provided in Section 2 hereof or in Section 11 hereof and such default shall continue for five days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the

Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment with 30 days; or

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and (unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Agreement shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees within 30 days after such appointment or 60 days after such petition shall have been filed, whichever shall be earlier; or

(e) Any other proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or

insolvency laws, or laws relating to the relief of debtor's re-adjustments or indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder) and (unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(f) Any representation or warranty of the Lessee shall be breached or shall not have been true when made.

When any Event of Default described above has, to the knowledge of the Lessee, occurred, the Lessee agrees to give notice thereof within three business days thereafter to the Lessor.

14.2 Remedies. If any Event of Default has occurred and is continuing, the Lessor, at its option may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee

of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days in such full rental period and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each unit of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease, over the then

present worth of the then fair rental value of such unit for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the unit during such period, such present worth to be computed in each case on a basis of a rate of 7-1/2% per annum, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease; and

(c) In the event of any such termination and whether or not the Lessor shall have exercised or shall thereafter exercise any of its other rights under paragraph (b) above, the Lessor shall have the right to recover from the Lessee an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall be equal to any portion of the 10% investment credit attributable to 100% of the total Construction Cost of the Equipment (the "Investment Credit") allowed by Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (the "Code"), which was lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a

result of the breach of one or more of the representations, warranties and covenants by the Lessee in Section 20 or any other provisions of the Lease, the termination of this Lease, the Lessor's loss of the right to use any unit of Equipment, any action or inaction by the Lessor or the sale or other disposition of the Lessor's interest in any unit of Equipment after the occurrence of an Event of Default plus such sum as, in the reasonable opinion of the Lessor, will cause the Lessor's net after tax return under this Lease to be equal to the net after tax return that would otherwise have been available to the Lessor if it had been entitled to utilization of all or such portion of the maximum depreciation deduction authorized with respect to a unit of Equipment under Section 167 of the Code (the "Depreciation Deduction") which was lost, not claimed, not available for claim, disallowed or recaptured in respect of a unit of Equipment as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in Section 20 or any provision of this Lease, the termination of this Lease, the Lessor's loss of the right to use such unit of Equipment, any action or inaction by the Lessor or the sale or other disposition of the Lessor's interest in such unit of Equipment after the occurrence of an Event of Default.

Anything in this Section 14 to the contrary notwithstanding, any default in the observance or performance of any covenant, condition or agreement on the part of the Lessee which

results solely in the loss by the Lessor of, or the loss by the Lessor of the right to claim, or the disallowance with respect to the Lessor of all or any portion of the Investment Credit or the Depreciation Deduction shall be for all purposes of this Lease deemed to be cured if the Lessee shall, on or before the next rental payment date after written notice from the Lessor of the loss, or the loss of the right to claim, or the disallowance of the Investment Credit or the Depreciation Deduction, or such portion thereof, agree to pay to the Lessor a lump sum with respect to the Investment Credit and a revised rental rate with respect to said loss of the Depreciation Deduction so that, in the reasonable opinion of the Lessor, the Lessor shall have the same rate of return as though the Lessor had the benefit of the Investment Credit and the Depreciation Deduction.

14.3 Cumulative Remedies. The remedies of this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any off-set against the rent payments due hereunder, and agrees to make the rent payments regardless of any off-set or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4 Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT

15.1 Lessee's Duty to Return. If the Lessor shall terminate pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any unit of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad at the risk of the Lessee; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

15.2 Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided

are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3 Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any units of Equipment to Lessor, to demand and take possession of such unit in the name and on behalf of the Lessee from whosoever shall be at the time in possession of such unit.

SECTION 16. ASSIGNMENTS BY LESSOR

This Lease and the rentals and other sums due hereunder shall not be assignable by the Lessor, without Lessee's written consent except to a corporation wholly owning or owned by Lessor.

SECTION 17. ASSIGNMENTS BY LESSEE: USE AND POSSESSION

17.1 Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the

Equipment. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment except to the extent permitted by the provisions of Section 17.2 hereof.

17.2 Use and Possession. The Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which Equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of the Equipment upon connecting and other carriers in the usual interchange of traffic and equipment, but only upon and subject to all the terms and conditions of this Lease. The Lessee may receive and retain compensation for such use from other railroads so using any of the units of Equipment. Notwithstanding the foregoing or anything hereinafter provided, the Lessee will not assign any unit of Equipment to service including the regular operation and maintenance thereof outside the United States of America.

So long as the Lessee shall not be in default under this Lease, the Lessee, upon prior written consent of the Lessor,

which consent shall not be unreasonably withheld, shall be entitled to sublease the Equipment to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia; provided, however, that the Lessee shall be entitled to sublease the Equipment for periods of no longer than 60 days without the written consent of the Lessor; provided, further that the rights of any such sublessee are made expressly subordinate to the rights and remedies of the Lessor under the Lease and such sublease shall not alter in any way the Lessee's obligations to the Lessor which obligations shall be and remain those of a principal and not a guarantor.

17.3 Merger, Consolidation or Acquisition of Lessee.

Nothing in this Section 17 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of the railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligation

to the Lessor hereunder which shall be and remain that of a principal and not a guarantor.

SECTION 18. OPINION OF LESSEE'S COUNSEL

On or prior to each Closing Date, the Lessee will deliver to the Lessor such number of counterparts of the written opinion of counsel for the Lessee as the Lessor may reasonably request, addressed to the Lessor, in scope and substance satisfactory to the Lessor, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the State of Delaware;

(b) The Lessee has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of the Lease;

(c) This Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement of the Lessee enforceable in accordance with its terms;

(d) This Lease has been filed and recorded pursuant to Section 10.1 hereof, and no other filing, recording or depositing is necessary to protect the Lessor's title to the Equipment.

(e) No approval, consent of, or filing with, any public regulatory body is required with respect to the entering into or performance by the Lessee of this Lease;

(f) The execution and delivery by the Lessee of this Lease does not violate any provision of any law, any order of any court or governmental agency, the Charter or By-laws of the Lessee, or any indenture, agreement, or other instrument to which the Lessee is a party or by which it, or any of its property is bound, and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee, except upon the leasehold estate of the Lessee hereunder.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID
BY LESSOR

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay an amount equal to two (2) percentage points over the then prime rate charged by the First National Bank of Chicago per annum to its best commercial customers on short term transactions (or the lawful rate, whichever is less) provided, however, if the First National Bank of Chicago ceases to publish such prime rate during the term

of this Lease, the prime rate used shall be that of the largest banking institution in Chicago, Illinois, which is then publishing a prime rate, on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. FEDERAL INCOME TAXES

The Lessor, as the owner of each unit of Equipment, shall be entitled to such deductions, credits or other benefits as are provided by the Code (as defined in Section 14.2(c) hereof) to an owner of property, including (without limitation) an allowance for the Investment Credit on the Construction Cost (as defined in Section 1.2(b) hereof) and the Depreciation Deduction (as defined in Section 1.2(b) hereof) calculated pursuant to the most accelerated method of depreciation on the full Construction Cost as provided in Section 167(b) of the Code with respect to the units of Equipment.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing and that each of such corporations will file such returns, take such action and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof. Lessee agrees to keep and make available for inspection and copying by Lessor such records as will enable Lessor to determine it is entitled to

the full benefit of the Investment Credit and the Depreciation Deduction with respect to the unit of Equipment.

The Lessee represents and warrants that (i) none of the units of Equipment constitutes property, the construction, reconstruction or erection of which was completed or acquired before January 21, 1975; (ii) at the time the Lessor becomes the owner of the units of Equipment, the Construction Cost of the units of Equipment will qualify as "reconstructed Section 38 property" within the meaning of Section 48(b) of the Code to the extent of the Construction Cost, and the Lessor shall be able to depreciate the units of Equipment as provided in Section 167(b) and 167c(1) of the Code as amended to the date hereof; (iii) at the time the Lessor becomes the owner of the units of Equipment, no investment credit, depreciation or other tax benefits will have been claimed by any person with respect to the units of Equipment; and (iv) at all times during the term of this Lease, the Lessee will do nothing which will cause the units of Equipment to cease to be "Section 38 property" within the meaning of Section 48(a) of the Code.

In the event that the expected tax benefits described above shall be disallowed to the Lessor, then Lessee shall pay as hereinafter provided to Lessor, a revised rental in respect of the

Equipment so that Lessor shall have the same after tax rate of return on a discounted cash flow basis as would have been realized by Lessor if the Lessor had been entitled to all the deductions, credits or other tax benefits set forth in paragraph 1 of this Section 20. The amount of such indemnity payments shall be determined by mutual agreement of Lessor and Lessee or, failing such agreement, by an independent firm of certified public accountants at Lessee's expense. Lessee does not indemnify for any tax effect resulting from an adjustment to the life of the Equipment under this Lease or from an adjustment in the estimated salvage value.

For the purpose of this Lease, the date that the increased rentals shall commence is thirty days from written notice by the Lessor to the Lessee of a loss of right to claim investment tax credit or accelerated depreciation; or thirty days prior to the time Lessor pays the additional tax and interest, whichever occurs later. Lessee shall not be required to pay the foregoing amounts if the loss results from the occurrence of any of the following events: (i) a disqualifying disposition due to sale of any unit or the lease thereof by Lessor prior to any default by Lessee, or (ii) a failure of Lessor to timely claim investment tax credit or maximum depreciation for any unit in the appropriate tax return of Lessor (or the consolidated federal taxpayer group of which Lessor is part), or (iii) a disqualifying change in the nature of Lessor's

business or liquidation thereof, or (iv) Lessor shall not have sufficient taxable income to benefit from such investment credit or depreciation deduction, or (v) any other acts or omission of the Lessor prior to any default by the Lessee (including acts or omissions by other parties included in Lessor's consolidated federal income tax return), or (vi) changes in estimated salvage value, or (vii) changes in the depreciable life of the Equipment.

In the event that the Lessor adopts the Asset Depreciation Range to determine the depreciable life of the Equipment and the depreciable life of the Equipment is adjusted by the Internal Revenue Service to more than twelve years, then Lessee shall pay to Lessor an increase in the rental (or the revised rental if applicable under the preceding two paragraphs) in respect of the Equipment so that Lessor shall have the same after tax rate of return on a discounted cash flow basis as would have been realized by Lessor if Lessor had been entitled to depreciate the Equipment over a twelve year life.

Lessor agrees to notify Lessee promptly of any claim made by the Internal Revenue Service against Lessor in respect to the disallowance of such Depreciation Deductions or Investment Credit which relates to information which may be particularly within the knowledge of Lessor. Lessor further agrees that, should all or

any portion of said depreciation deductions or investment credit be disallowed as aforesaid, Lessor will contest the disallowance, if so requested by Lessee, provided that Lessee makes adequate provision for Lessor's indemnification and the payment of all Lessor's expenses, including legal fees, in connection therewith.

SECTION 21. OPTIONS TO PURCHASE AND RENEW

21.1 Purchase Options. Upon the expiration of this Lease, provided this Lease has not been earlier terminated and the Lessee is not in default hereunder, Lessee shall have the following options:

(a) The Lessee shall have the right to purchase all but not less than all of the units of Equipment then leased hereunder after paying the rental due on said date, at a price equal to the then Fair Market Value of such units, (as hereinafter defined). The Lessee shall give the Lessor written notice of any such election not less than four months prior to the expiration of the term of this Lease. Payment of the Purchase Price shall be made at the place of payment specified in Section 2 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to such units of Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under

the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of such units of Equipment or any other matters.

(b) The Fair Market Value of a unit of Equipment shall be determined on the basis of, and shall be equal in amount to, the value (excepting parts which may be removed by Lessee pursuant to Section 8 hereof) which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) under no compulsion to buy and an informed and willing seller under no compulsion to sell. If on or before 90 days prior to the date of purchase the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of a unit of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser, at the expense of Lessee. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall determine the Fair Market Value prior to three months before the Lease term ends.

(c) Notwithstanding any undertaking of the Lessee to purchase as provided in this Section 21, the provisions of

Section 11 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the units of Equipment purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to this Section 21.1 in which event such purchase price shall govern the amount payable under Section 11 hereof.

21.2 Lease Renewal Option. Unless the Lessee has elected to purchase the units of Equipment then leased hereunder as provided in this Section 21, and provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, Lessee shall have the following renewal option:

(a) The Lessee may by written notice delivered to the Lessor not less than four months prior to the end of the original term of this Lease, or of each renewal term as hereinafter provided, elect to extend the term of this Lease in respect of all but not fewer than all of the units then covered by this Lease, for an additional one year period commencing on the scheduled expiration of the original term of this Lease, and the rental payments shall each be in an amount equal to the then Fair Rental Value of each unit then subject to this Lease. At the end of each one year term, Lessee will have all the options set forth in this Section 21.

(b) The Fair Rental Value of a unit of Equipment shall be determined on the basis of, and shall be equal in amount

to, the value which would be obtained in an arm's-length transaction between an informed and willing lessee-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) under no compulsion to lease and an informed and willing lessor under no compulsion to lease.

(c) The Fair Rental Value shall be computed three months prior to the end of the original term of this Lease and each successive term thereafter, and if on or before 90 days prior to the date of renewal, the Lessor and Lessee are unable to agree upon a determination of the Fair Rental Value of a unit of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser (as defined in 21.1(b) at the expense of Lessee.

21.3 Delivery of Equipment. Unless the Lessee has elected to purchase the units of Equipment then leased hereunder or to renew this Lease, as provided in this Section 21, all of such units of Equipment shall be returned to the Lessor at the end of the term hereof in accordance with Section 13 hereof.

SECTION 22. MISCELLANEOUS

22.1 Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

If to the Lessor: Borg-Warner Leasing Division of
B-W CREDIT CORPORATION
One IBM Plaza
Chicago, Illinois 60611
Attention: Vice President and
General Manager

with a copy to the
above address,
Attention: General Counsel

If to the Lessee: Illinois Central Gulf Railroad Company
Two Illinois Center
233 North Michigan Avenue
Chicago, Illinois 60601
Attention: Treasurer

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

22.2 Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument. Although this Lease is dated , 1975, for convenience, the actual date or dates of execution hereof by the parties hereto is the date or dates stated on the acknowledgments hereto.

22.3 Law Governing. This Lease shall be construed in accordance with the laws of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

22.4 Payment of Expenses. All the costs and expenses of financing the Equipment (including, but not limited to legal,

money placement and agent fees) will be borne by the Lessor. The Lessee will pay the reasonable costs and expenses involved in the documentation of this Lease and Lessor and Lessee will each bear the respective fees and disbursements of their respective counsel.

22.5 Lessor's Commitment Fee. If, for any reason not the fault of the Lessor, this Lease is not consummated or any unit of Equipment has not been delivered to or accepted by Lessee on or prior to December 31, 1975, the Lessee shall pay to Lessor on said date a commitment fee equal to 1% of the difference, if any, between \$2,100,000 and the original cost of the units of Equipment described herein which were delivered to and accepted by Lessee prior to December 31, 1975.

22.6 Lease Amendment. Prior to delivery to and acceptance by Lessee of any units of Equipment, Lessor and Lessee shall have the right to request the other party to amend the structure of the lease transaction to meet Internal Revenue Service tests or guidelines for true leases, and the other party shall agree to such amendment, despite any indemnity against loss of tax benefits herein, so long as said amendment is not materially adverse to the interests of the party requested to so agree.

22.7 Any provision of this Lease which is prohibited and unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions hereof, any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

22.8 This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Equipment and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

22.9 Time is of the essence of this Lease.

22.10 Whenever used in this Lease the word "day" shall mean "calendar day" unless modified by the word "business". "Business day" means a day when the Lessor's Home Office is open for business with the public.

22.11 If, after an Event of Default, the Lessee shall fail to make payment or perform any act required by this Lease, the Lessor may, but shall not be obligated to, make such payment or perform such act for the account of and at the expense of the Lessee, without demand upon the Lessee and without waiving or releasing any obligation or default. The Lessor intends to reasonably promptly provide the Lessee with written notice of its intention to make any such payment or perform any such act, but in

no event shall said written notice be construed to be a condition precedent to the Lessor (i) so paying or performing, or (ii) being indemnified pursuant to the immediately following sentence. The Lessee shall indemnify and hold harmless the Lessor from and against all losses and expenses (including, but not limited to, attorneys' fees) suffered or incurred by the Lessor by reason of any acts performed by it pursuant to this section and the Lessee shall pay to the Lessor, upon demand, all sums so expended by the Lessor or with respect to which it shall be entitled to be indemnified, plus interest thereon, at the rate listed in Section 19 from the date on which such sums are expended by the Lessor to the date on which Lessee pays the same to the Lessor.

22.12 Limitations of Liability. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that no liability or responsibility in its individual corporate capacity is assumed by nor shall at any time be asserted or enforceable against the Lessor, or any incorporator or any past, present or future subscriber to the capital stock of, the Lessor, on account of this Lease or on account of any representation, covenant, undertaking or agreement of the Lessor in this Lease contained, either express or implied, all such individual corporate liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee

or any person claiming by, through or under it, making claim here-
under, may look to the Equipment for satisfaction of the same.

(SEAL)

BORG-WARNER LEASING DIVISION OF
B-W CREDIT CORPORATION

By *[Signature]*
Vice President - General Manager

ATTEST:

[Signature]

(SEAL)

ILLINOIS CENTRAL GULF RAILROAD COMPANY

By *[Signature]*

ATTEST:

[Signature]

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 4th day of September, 1975 before me personally appeared Ronald G. Salamone, to me personally known, who, being by me duly sworn, says that he is the Vice President of BORG-WARNER LEASING DIVISION of B-W CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Christina Ann Milotich
Notary Public

(SEAL)

My Commission Expires:

Commission Expiration Date December 23, 1978

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 4th day of September, 1975 before me personally appeared J. R. Schubert, to me personally known, who, being by me duly sworn, says that he is Executive Vice Pres. of Schwan's Cheese Dairy, Inc., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Heidi M. Huesch
Notary Public

My Commission Expires
December 7, 1976

EXHIBIT A TO EQUIPMENT LEASE

Contractor: ILLINOIS CENTRAL GULF RAILROAD COMPANY

Description of Equipment: 100 50-ton capacity Flatcars manufactured according to Contractor's Specifications 0-408 and 0-409.

Original Cost: \$2,100,000 for 100 units, including applicable sales, use or similar taxes and freight charges.

Deliver To: ILLINOIS CENTRAL GULF RAILROAD COMPANY

Estimated Delivery: September 25 to December 31, 1975

Outside Delivery Date: December 31, 1975

Rental Payments: 180 consecutive monthly payments in arrears equal to .9731% of the Original Cost of each unit of Equipment.

If units are accepted after the Outside Delivery Date, Lessor may increase the rentals to preserve its anticipated return and profitability.

Interim Rent: Lessee shall on the first day of the following month pay an amount equal to .03244% of Original Cost per day on each unit of Equipment for the period from and including the Closing Date on which said unit was settled for, to but not including the first day of the calendar month following the Closing Date.

SUPPLEMENTAL EXHIBIT A-1 TO EQUIPMENT LEASE AGREEMENT
DATED AS OF SEPTEMBER 4, 1975 BETWEEN BORG-WARNER
LEASING DIVISION OF B-W CREDIT CORPORATION AS LESSOR
AND ILLINOIS CENTRAL GULF RAILROAD COMPANY AS LESSEE

Unit Identifying No.

Contractor's Specification No.

ILLINOIS CENTRAL GULF RAILROAD

COMPANY Numbers (Inclusive)

906000-906033

0-408

906034,

906100-906164

0-409

Exhibit B to Equipment Lease Agreement dated as of September 4, 1975 between BORG-WARNER LEASING DIVISION OF B-W CREDIT CORPORATION as Lessor and ILLINOIS CENTRAL GULF RAILROAD COMPANY as Lessee.

TO: BORG-WARNER LEASING DIVISION OF B-W CREDIT CORPORATION ("Lessor").

I, a duly appointed inspector and authorized representative of ILLINOIS CENTRAL GULF RAILROAD COMPANY ("Lessee"), do hereby certify that I have received, approved and accepted delivery, on behalf of the Lessee under the Equipment Lease dated as of September 4, 1975 between the Lessor and the Lessee, of the following units of Equipment ("Equipment") which units have been inspected prior to or concurrently with such acceptance:

TYPE OF EQUIPMENT	Reconstructed Flatcars
CONTRACTOR	ILLINOIS CENTRAL GULF RAILROAD COMPANY
PLACE ACCEPTED	
DATES ACCEPTED	
NUMBER OF ITEMS	
NUMBERED	See attached Schedule A

I do further certify that the foregoing Equipment is in good order and condition, and conforms to the Specifications applicable thereto, and to all Department of Transportation requirements and specifications for reconstructed equipment and

to all standards recommended by the Association of American Railroads, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each unit of Equipment the following legend in letters not less than one inch in height,

"OWNED BY A LESSOR UNDER AN EQUIPMENT LEASE FILED
UNDER THE INTERSTATE COMMERCE ACT, SECTION 20C."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Contractor for warranties it has made with respect to the Equipment.

Inspector and Authorized
Representative of Lessee

Schedule A to Certificate of Acceptance

Car Numbers of Reconstructed Flatcars Accepted,

Car Numbers

Car Numbers

SAMPLE STIPULATED LOSS VALUE SCHEDULE

<u>Payment #</u>	<u>% of Cost</u>	<u>Payment #</u>	<u>% of Cost</u>	<u>Payment #</u>	<u>% of Cost</u>
0	398 104.192	60	93.97424	120	66.66176
1	104.40488	61	94.54099	121	66.07947
2	104.61083	62	94.34950	122	65.49056
3	104.81016	63	94.15140	123	64.89502
4	105.00287	64	93.94667	124	64.29286
5	105.18895	65	93.73532	125	63.68407
6	105.36840	66	93.51734	126	63.06866
7	105.54124	67	93.29274	127	62.44663
8	105.70745	68	93.06152	128	61.81797
9	105.86703	69	92.82367	129	61.18269
10	106.02000	70	92.57920	130	60.54078
11	106.16633	71	92.32810	131	59.89226
12	106.30605	72	92.07038	132	59.23710
13	106.43914	73	91.80604	133	58.57533
14	106.56561	74	91.53507	134	57.90692
15	106.68545	75	91.25748	135	57.23190
16	106.79867	76	90.97327	136	56.55025
17	106.90526	77	90.68243	137	55.86199
18	107.00523	78	90.38497	138	55.16708
19	107.09858	79	90.08088	139	54.46556
20	107.18530	80	89.77017	140	53.75742
21	107.26540	81	89.45284	141	53.04265
22	107.33938	82	89.12888	142	52.32125
23	107.40573	83	88.79830	143	51.59324
24	107.46596	84	88.46109	144	50.85860
25	107.51956	85	88.11836	145	50.11733
26	107.56654	86	82.51841	146	49.36945
27	107.60690	87	82.16133	147	48.61494
28	107.64063	88	81.79763	148	47.85380
29	107.66774	89	81.42730	149	47.08604
30	107.68822	90	81.05035	150	46.31166
31	107.70209	91	80.66678	151	45.53065
32	107.70932	92	80.27658	152	44.74302
33	107.70993	93	79.87976	153	43.94876
34	107.70392	94	79.47632	154	43.14788
35	107.69128	95	79.06625	155	42.34038
36	107.67202	96	78.64956	156	41.52625
37	107.64774	97	78.22624	157	40.70550
38	107.61824	98	77.79630	158	39.87813
39	107.58310	99	77.35973	159	39.04413
40	107.54335	100	76.91655	160	38.20351
41	107.49997	101	76.46673	161	37.35626
42	107.45397	102	76.01030	162	36.50239
43	107.40534	103	75.54724	163	35.64190
44	107.35409	104	75.07755	164	34.77478
45	107.30022	105	74.60125	165	33.90104
46	107.24372	106	74.11831	166	33.02067
47	107.18460	107	73.62876	167	32.13368
48	107.12285	108	73.13258	168	31.24007
49	107.05849	109	72.62978	169	30.33983
50	106.99149	110	72.12035	170	29.43297
51	106.92187	111	71.60430	171	28.51949
52	106.84963	112	71.08162	172	27.59938
53	106.77476	113	70.55232	173	26.67264
54	106.69728	114	70.01640	174	25.73929
55	106.61716	115	69.47386	175	24.79931
56	106.53442	116	68.92468	176	23.85270
57	106.44906	117	68.36889	177	22.89949
58	106.36108	118	67.80647	178	21.93962
59	106.27047	119	67.23743	179	20.97315
				180	20.00005

9-4-75

8043
RECORDATION NO. Filed & Recorded

SEP 11 1975-9 20 AM

INTERSTATE COMMERCE COMMISSION

STATE OF ILLINOIS)
) SS
COUNTY OF C O O K)

I, Virginia N. Shanahan, a Notary Public
in and for the County of Cook, State of Illinois, hereby
certify that I have compared the attached copy with the
original document and that the attached is a true and cor-
rect copy in all respects.

Virginia N. Shanahan
Notary Public

My Commission expires

May 4, 1976.